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FARMERS AND THE NEW CANADIAN TRADE PACT

The reciprocal trade agreement recently signed by Canada and the United States is regarded by Secretary Wallace as one of the most important steps yet taken by this country toward recovery of foreign outlets for its agricultural and industrial products.

To farmers of the United States the agreement has significance not only because it assures increases in exports of their products to Canada, but also because the acceleration of exports of U. S. industrial products, which is expected to follow the agreement, will add to the purchasing power of industrial workers for American crops and livestock.

Canada Has Been A Good Customer

To clearly set forth the significance of the agreement for agriculture, it is first necessary to review briefly the past agricultural trade relations between the two countries.

In the past Canada has been an important buyer of products from American farms. For instance, during the fiscal year 1929-30, the Canadian market absorbed a wide number of farm products, such as: more than 44½ million pounds of pork products, 16 million pounds of prunes, 500 thousand barrels of apples, 23 million pounds of pears, 132 thousand boxes of lemons, 2½ million boxes of oranges, 7 million bushels of corn, 8 million bushels of barley, about 4 million

bushels of oats, $5\frac{1}{2}$ million pounds of oatmeal, 18 million pounds of rice, $16\frac{1}{2}$ million bushels of wheat, nearly 14 million pounds of tobacco, 1-1/5 million bushels of potatoes, and 176 thousand pounds of cheese.

In that year, 1929-30, the total value of agricultural products sold by American farmers to Canada was approximately $134,000,000. Of this total about $53,000,000 worth of the products paid a duty on their import into Canada.

1930 Turning Point in Trade

That year more or less marks the turning points in sale of American farm products to Canadian markets. Such sales had been steadily increasing up to that point, but in the years following and up to the present, they have been decreasing markedly, year by year. At the close of the fiscal year 1934-35, our international trade books showed that our neighbor to the North had bought only $15,000,000 worth of American farm products on which import duties were in effect, as compared to the $53,000,000 of such purchases cited previously.

What was the reason for this great shrink -- amounting to about 70 percent -- in our sales of farm products to Canada? At the same time American imports of Canadian farm products had dropped from $45,000,000 in 1929-30 to only $9,000,000 in 1934.

Secretary Wallace says that a clue to the situation may be found in the fact that in 1930 the United States enacted tariff legislation which resulted in greatly increasing duties charged against Canadian goods entering this country. In retaliation Canada has since raised her tariff walls against United States products by means of special legislation and various administrative devices.

The increase in the Canadian duty charges after 1930 meant, for example that American hogs which had paid $1\frac{1}{2}$ cents per pound must pay a flat rate of 3 cents per pound. The duty on canned meats was increased from $27\frac{1}{2}$ percent ad valorem to 35 percent; that on oats was raised from 10 cents a bushel to 16 cents; on rye from 10 cents to 15 cents, on wheat from 12 cents to 30 cents; on rice from 75 cents a hundred to $1.00; on potatoes, from 35 cents a hundred to 75 cents; on bacon, hams and pork, from 2 cents to 5 cents a pound -- and so on down the line. Out of the 156 different listings of agricultural products which appear on the trade agreement, increases in one form or another were put into effect on 68 products between 1929 and 1935, and 5 products that had been on the free list were placed on the duty list.

Duties Raised After 1930

In addition to increases in the regular forms of duty, consisting of either a percentage charge on the invoice value of the imported product or a flat rate per unit, after 1930 there grew up a system of applying arbitrary assessments against imported products, known as "advanced valuations". Another device brought into force to make it more difficult for our products to hurdle the tariff walls of Canada was the "minimum specific duty" rates. These extra charges were particularly hard on fruits and vegetables. Thus, under this system not only was the basic ad valorem rate of 30 percent applied throughout the year, but also during the season when Canadian farmers were marketing their crops, this basic rate has been supplemented as to fruits and vegetables, both by application of

minimum specific rates in cents per pound, and valuation of advances. This valuation advance method not only applied the ad valorem rates to values higher than the actual invoice value, but also added the advanced valuation as a "dumping" duty.

This race to impose more stringent trade barriers, with a consequent shrinkage in the market for both American and Canadian farm products, could have continued indefinitely, had not Congress in 1934 passed the Reciprocal Tariff Act, which has made possible trade agreements under which tariff walls can be scaled down and mutually advantageous channels of trade can be re-opened between contracting nations.

Under this Act the Canadian-U.S. agreement has been carefully worked out. The terms of the agreement become effective January 1, 1936.

Thus, on January 1, reduced Canadian duties will go into effect on more than 100 American farm products. The reductions range from 25 percent on many products to 100 percent on potatoes. The concessions made cover a wide field and range of farm products. Summarized briefly by principal groups benefiting, these concessions are:

Vegetables.

1. Reduction of the basic ad valorem rate on vegetables from 30 to 15 percent.

2. Most minimum specific duties applicable during the season when our vegetables compete with Canadian are cancelled.

3. Advanced valuations are eliminated on some vegetables. On 11 valuations may be continued, but additions to invoice value will be at least 20 percent lower than heretofore.

4. Transfer of 6 vegetables to free list.

The effect of the cut in advanced valuations on those vegetables still subject to this system is shown by the fact that if the invoice value of imported beans, for instance, were 4.5 cents per pound, and the valuation advance were 2.5 cents per pound, under the existing system the charge would have been 30 percent applied to 7 cents (4.5 plus 2.5), plus a dumping duty of 2.5 cents, or a total charge of 4.6 cents per pound. After January 1, beans invoiced at the same value would pay a duty of 15 percent on 6.5 cents (4.5 cents plus 2), plus 2 cents, or a total of 3 cents per pound -- a reduction of about 35 percent.

This concession with respect to vegetables that move from U. S. markets at the same time the Canadian crop is being marketed will be of great importance to producers of vegetables in northern States, such as the New England States, New York, Pennsylvania, New Jersey, Ohio and Michigan.

The Southern and Pacific States, such as Florida, Mississippi, Louisiana, Texas, California and Oregon will benefit from the low rate of 15 percent on fresh vegetables. The trucking regions of Colorado and New Mexico stand to make considerable increase in their shipments of lettuce, cabbage and onions through the reduction in charges secured under the agreement.

Fruits

1. Reduction of the basic ad valorem duty from 20 to 15 percent.
2. Most minimum specific duties are canceled.
3. Valuation advanced have been canceled on several classes of fruits, and where remaining, must be at least one-fifth lower than heretofore.

In addition to the general adjustments, the position of citrus fruit in regard to the Canadian market has been much improved by cutting the rate on grapefruit from 1 cent to ½ cent per pound throughout the year, by placing oranges on the free list during January, February, March and April -- the months when we normally ship the most -- and by binding lemons on the free list. Canada is an important consumer of citrus fruits, buying in 1929-30 about $1,133,000 of our grapefruit, $8,681,000 of oranges, and $1,193,000 of lemons.

Meats and Meat Products

Canada provided a market for about $5,600,000 worth of preserved and fresh meat from the United States, in 1929-30, but by 1933-34, this had decreased to only $337,000. Most important of meat imports has been cured and pickled pork, of which 19,000,000 pounds were imported by Canada in 1929-30. Imports of ham, shoulders, and bacon totaled about 7,700,000 pounds in that same year.

The trade agreement is expected to furnish a basis for expansion of the market for American meats through its provisions which reduce the duty charges as follows:

1. Cured and pickled pork, from 5 cents a pound to 1.75 cents.
2. Lard, from 2 cents to 1.75 cents per pound.
3. Canned meat, from 35 percent ad valorem to 30 percent.
4. Live cattle, from 3 cents a pound to 2 cents.
5. Live hogs, from 3 cents a pound to 1.25 cents.
6. Sheep, lamb and goats, from $3 per head to $2 per head.

Poultry and Eggs

The import of eggs by Canada, which amounted to $1,368,000 in 1929-30, had almost vanished by 1934-35 when only $23,000 worth were imported as a result of duties which made it impossible to sell American eggs in Canada for less than 35 cents per dozen. Under the agreement, these adjustments, which should once more encourage export of American eggs, have been made:

1. Eggs in shell, duty dropped from 10 cents to 5 cents per dozen.
2. Live and dead poultry, rate reduced from 20 percent ad valorem to 17½ percent.

Nuts

The concession on nuts reduces the duty of 2 cents a pound on pecans and walnuts in the shell to 1 cent a pound. The 4-cent per pound duty on shelled nuts other than almonds and walnuts is reduced by 50 percent, to 2 cents per pound and all other shelled nuts including almonds and walnuts to 3 cents per pound. States such as Georgia, California and Oregon will find special benefit in these reductions

Grains

Since Canada is an exporter of most of the same types of grains as are produced in the United States, the opportunity for selling American grains in Canada is limited. The exceptions are that a market for importation of corn for feed exists in time of short Canadian feed crops, and the duty on this grain is reduced from 25 to 20 cents per bushel. Other reductions in grain duties and cereals average about 35 percent.

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FARM PRODUCT FACTORIES MAINTAINED EMPLOYMENT

Most of the factory unemployment problem has occurred outside of the factories that process agricultural commodities, as shown by the fact that as of August 1935, factories devoted to processing farm products, were employing within 8 percent as many people as in 1928, as compared to factories processing non-farm raw materials which were employing 30 percent less than in 1928 -- although showing a marked increase over 1933. During the past five years, output of processed farm products has remained at about 90 percent of the 1929 level, but nonfarm factory output slumped to 35 percent of the 1929 level in the spring of 1933, and had recovered to 65 percent of that level by August of 1935.

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POTATO CROP FLUCTUATIONS HURT CONSUMER AND FARMER

Consumers pay dearly, over a period of years, for large potato crops, which are invariably followed by small crops and high prices. Both farmers and consumers realize most good from normal crops. Consumers have paid an average of $2.11 per bushel for potatoes when years of above normal crops and short crops are considered together, as compared to $1.91 per bushel in years of normal crops. The Government potato program seeks to eliminate wide fluctuations in the size of crops and prices, and to promote normal-size crops which give prices fair to both consumer and producer.

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ESTIMATE 1935 BENEFITS AT HALF-BILLION DOLLARS

Rental and benefit payments to farmers in AAA programs are expected to reach about $597,280,000 for the calendar year 1935, according to latest revised AAA estimates. Of this total, $125,413,000 will go to cotton producers, $130,500,000 to wheat growers, $248,696,000 to corn-hog raisers, $30,125,000 to tobacco producers, $50,551,000 to sugar growers, $3,583,000 to peanut producers, $6,612,000 to rice producers, and $1,800,000 to rye growers.

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FARM PRICES 86 PERCENT PARITY

Prices received by farmers for their products averaged 86 percent of fair-exchange value as of November 15 -- a decline of 1 percent from the previous month, but 8 percent higher than at this date a year earlier. Of the fifteen commodities designated as basic under the Adjustment Act, only two types of tobacco and milk retailed directly by farmers were above parity, or fair-exchange levels, while hogs, which had been at 105 percent the previous month, slipped down to 94 percent of parity. The following table gives the status on November 15 of the basic commodities as to actual farm price for the country as a whole, the current price that would give them parity, and what percentage the actual price bears to the current parity price. Programs have been in effect, or are being put into effect for the first 10 commodities listed:

Commodity	U.S. Farm Price	Parity Price	Percentage Farm Price is of Parity
Wheat, bu.	88.7¢	$1.11	80
Corn, bu.	56.4¢	80.9¢	70
Rye, bu.	40.4¢	90.7¢	45
Rice, bu.	66.2¢	$1.02	65
Cotton, lb.	11.5¢	15.6¢	74
Tobacco, lb.			
Flue-cured 1/	20.8¢	18.2¢	114
Fire-Cured 1/	12.0¢	10.3¢	117
Maryland 1/	14.0¢	17.5¢	80
Peanuts, lb.	3.1¢	6.0¢	52
Hogs, lb.	8.54¢	9.1¢	94
Sugarcane & Beets	No report by months		
Potatoes, bu.	62.6¢	86.5¢	72
Barley, bu.	37.8¢	78.0¢	48
Flaxseed, bu.	$1.53	$2.13	72
Cattle (Beef) lb.	6.05¢	6.56¢	92
Whole Milk (retail) qt. 2/	9.8¢	8.6¢	114
Grain Sorghums	No report		

1/ Only types sold in months reported.
2/ Retailed directly by farmers.

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28 PERCENT U. S. SUGAR IS DOMESTICALLY GROWN

Approximately 28 percent of the United State's sugar requirements is produced domestically, 12 percent comes from Puerto Rico, 14 percent from Hawaii, 15 percent from the Philippine Islands, and 29 percent from Cuba. The remainder comes from the Virgin Islands and from numerous foreign countries and total about 2 percent of our requirements.

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